

High-Tech MEGA Tax Credit

Program Description

High-Tech Michigan Economic Growth Authority (MEGA) tax credits support the development of high-tech businesses in both traditional and emerging industries in Michigan by providing a tax credit against the Single Business Tax (SBT).

Eligibility

Businesses that are primarily engaged in a “high-technology activity” or that allocate at least 25% of their total operating expenses for research and development may qualify for the credit.

Eligible activities include advanced computing, biotechnology, electronic device technology, engineering and laboratory testing related to product development, medical device technology, product research and development, advanced vehicle technology or technology that assists in the assessment or prevention of threats or damage to human health or the environment.

To qualify on the basis of research and development expenses, the business must use at least 25% of its total operating expenses for research-related activity in the year it applies to MEGA for the credit. The minimum 25% research and development expense ratio must also be maintained for the first three years of the credit. Research and development expense is determined using generally accepted accounting practices (GAAP).

Benefits

A business may receive an SBT credit for the incremental SBT liability attributable to its expansion or location in Michigan, and a refundable credit equal to the personal income tax attributable to new jobs being created at the site of the expansion or new location. Each credit may be awarded for up to 20 years and for up to 100% of the tax related to the project.

Requirements

At least five new jobs must be created at the business within one year of beginning operations at the project facility, and 25 new jobs must be created within five years. Once created, the minimum number of new jobs must be maintained for the life of the credit. In addition, the business must maintain the number of jobs it had in Michigan prior to the expansion in order to remain eligible for the credits.

The average wage paid for the new jobs created must be at least 400% of the federal minimum wage.

The local governmental or local economic development organization where the project is located must provide economic assistance to support the proposed expansion or location. Credits will be awarded only to businesses that are financially sound with economically sound project plans. The project cannot be announced or work started before the MEGA award.

The tax credits must be an incentive to expand or locate in Michigan and must address the competitive advantages offered by sites outside the state. The project must increase employment opportunities and strengthen the economy of Michigan. A cost/benefit analysis of the project must show that authorizing the tax credits will result in an overall positive fiscal impact to the state.

Factors affecting the amount and duration of credit awards:

- The number and average wage level of the new jobs created
- The total capital investment in the project
- The cost differential between expanding or locating in Michigan versus another state
- The potential economic impact of the expansion or location, the cost of the credits and the value of other state and local assistance provided to the project

Award Process

A \$5,000 non-refundable application fee is collected at the time the company submits its application for a High-Tech MEGA credit. In addition, businesses that receive tax credit awards are assessed an administrative fee of one half of 1% of the value of the credit up to a maximum of \$100,000.

For more information about this program, contact Southwest Michigan First at 269.553.9588.